

Gold run to continue

CIO View: Gold

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- Gold has hit another record high, with the latest wave supported by increased investment and central bank demand amid a weakening US dollar, investor appetite for real assets, escalating geopolitical tensions, and ongoing institutional uncertainties. This recent surge marks the strongest rally since 1979.
- Following updated 4Q World Gold Council data, the 2025 actual demand has been raised, as has our 2026 forecast. We now expect continued strong central bank buying, higher ETF inflows, and more bar and coin purchases, driven by lower US real rates, ongoing global economic concerns, and uncertainty surrounding US domestic policy, especially related to the midterm elections and increased fiscal stress.
- Gold remains an attractive asset and a strong hedge, in our view. We remain long and increase our price target to USD 6,200/oz for March, June, and September 2026 (from USD 5,000/oz), with a projected modest decline to USD 5,900/oz by end-2026 (after US midterms).

The gold rush has continued into 2026, with the yellow metal up about 28% this year to reach a new high of USD 5,600/oz, extending its strong momentum from December. Elevated news-related uncertainty, concerns regarding Federal Reserve independence, geopolitical tensions, and policy instability have led investors to diversify their portfolios, resulting in increased demand for real assets. According to the latest World Gold Council Gold Demand Trends report, total gold demand in 2025—including OTC transactions—exceeded 5,000 metric tons for the first time, driven primarily by robust investment activity. ETF holdings rose by 801 metric tons, bar and coin purchases reached a 12-year high of nearly 1,375 metric tons, and central banks acquired 863 metric tons. The central bank purchases were slightly below expectations for the year and the record amounts of the previous years, but they're still strong in a historical context. Jewelry volumes declined, as anticipated, due to elevated prices, but sales were higher than we projected.

We have raised our 2026 demand forecasts for most sectors—the exception being central banks, where we still project 950 metric tons of purchases. Notably, the Polish central bank has increased its gold holding target to 700 metric tons from 550 metric tons currently, departing from its previous objective of holding 30% of reserves in gold. Should other central banks implement similar policies, this could indicate reduced sensitivity to price fluctuations and may sustain elevated levels of purchasing. In China, physical demand has remained robust—notwithstanding higher prices—driven by seasonality and positive sentiment, as reflected in the persistent domestic premium even amid record-high prices. This upward trend is

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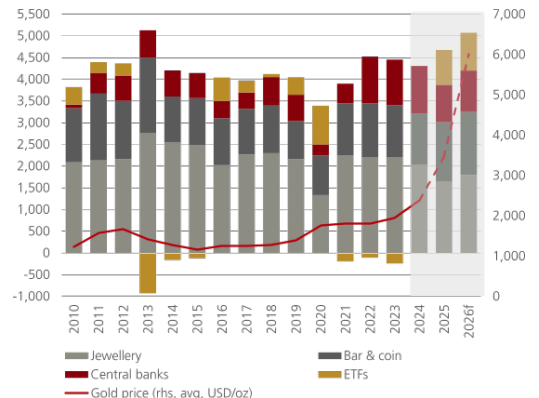
Gold (USD/oz)

	Forecasts	Spot
29 Jan 26		5,521
Mar 26	6,200	
Jun 26	6,200	
Sep 26	6,200	
Dec 26	5,900	

Bloomberg, UBS; Note: Forecasts refer to end of period.

Gold demand is forecast to rise further to new records in 2026

Values are in metric tons

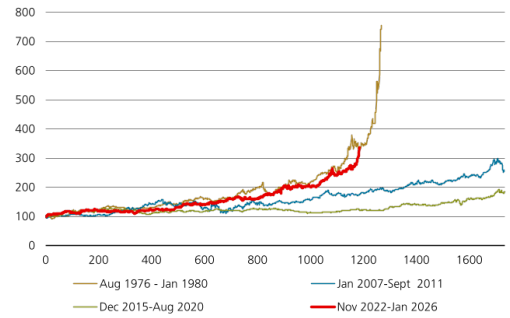


Source: World Gold Council, UBS estimates

likely to persist through the mid-February Chinese New Year, after which seasonal demand generally subsides in the country and may prompt a period of consolidation.

We forecast a price of USD 6,200/oz for the first three quarters of the year—up from our previous estimate of USD 5,000/oz for this period—followed by a moderation to USD 5,900/oz by the end of 2026 (after US midterms). This adjustment reflects our view that demand will be higher than previously expected, driven by higher investment activity rather than higher central bank purchases. Likewise, we now project an upside scenario target of USD 7,200/oz and a downside scenario of USD 4,600/oz (this is close to a one standard deviation move). A hawkish pivot by the Federal Reserve could heighten risks to the downside, while a steep escalation in geopolitical tensions could bring us closer to the upside scenario. Gold continues to be rated as Attractive, and we maintain a long position in our global asset allocation. We also recommend using options strategies for investors seeking to manage downside price risks.

Gold performance in previous bull runs
Starting point set at 100, X-axis is number of days



Source: Bloomberg, UBS

Appendix

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